

1.0 Department of Human Services - Internal Service Funds

The Department of Human Services operates two internal service funds (ISF) that provide shared services to the divisions and bureaus of the Department. These include General Services, and Data Processing. A third ISF, Field Services, which handled maintenance and rent expenses in the Richfield, Blanding, and Brigham City facilities, discontinued operations after FY 1998, as the owners of these facilities now bill agencies directly.

General Services collects funds from department divisions for building maintenance and rent for the Department main office and warehouse in Salt Lake City. Data Processing provides programming services for the Department.

1.1 Internal Service Funds Budget Summary

The following table summarizes the recommended operating levels for the two funds combined, along with recommended staffing level and capital expenditures for FY 2000. The Analyst recommends an FY 2000 appropriation of \$3,565,900 from collection of dedicated credits / intergovernmental revenues. This is expected to generate a net operating income of \$144,600. Non-operating losses are expected on the sale of copying equipment, resulting in a projected net income of \$115,400.

Program Revenues	FY 2000
General Services	\$1,472,000
Data Processing	2,093,900
Total	\$3,565,900
Program Expenditures	
General Services	\$1,443,300
Data Processing	1,978,000
Total	\$3,421,300
Operating Income (Loss)	\$144,600
Non-operating income/expenditures	(\$29,200)
Net Income/loss	\$115,400
Authorized Capital	\$0
Authorized FTEs	44.0

2.0 Internal Service Funds Budget Highlights

The table on the next page provides more detail about the funds' operations. Note that after the combined expected incomes of the two internal service funds, the accumulated retained earnings are expected to go from an expected negative \$66,900 in the current year to a projected positive amount of \$71,200 in FY 2000. The FY 2000 recommendations include 44 authorized FTE employees. There are no planned capital acquisitions for FY 2000.

OPERATIONS	FY 1998	FY 1999	FY 2000	FY 00 - 99
Revenues	Actual	Authorized	Analyst	Difference
Sales of Services/Mat'l	\$3,358,514	\$3,896,300	\$3,538,400	(\$357,900)
Misc.	0	45,100	27,500	(17,600)
Total Revenues	\$3,358,514	\$3,941,400	\$3,565,900	(\$375,500)
Cost of Operations				
Personal Services	\$1,642,142	\$1,938,500	\$1,932,700	(\$5,800)
Travel	9,802	9,000	7,600	(1,400)
Current Expense	1,537,329	1,730,900	1,368,100	(362,800)
Curr. Exp - Data Proc.	142,227	84,300	95,700	11,400
Depreciation	39,736	27,600	0	(27,600)
Other	30,128	26,600	17,200	(9,400)
Total Expenditures	\$3,401,364	\$3,816,900	\$3,421,300	(\$395,600)
Operating Income (Loss)	(\$42,850)	\$124,500	\$144,600	\$20,100
Non-operating income/expenses	(\$10,299)	\$0	(\$29,200)	(\$29,200)
Net Income/loss	(\$53,149)	\$124,500	\$115,400	\$9,100
Retained Earnings				
Beginning Balance	(\$148,172)	(\$201,300)	(\$76,800)	\$124,500
Income (Loss)	(53,149)	124,500	115,400	(9,100)
Ending Balance	(\$201,321)	(\$76,800)	\$38,600	\$115,400
Authorized Capital	\$8,425	\$0	\$0	\$0
Authorized Ftes	45.0	45.0	44.0	(1.0)

3.0 Internal Service Funds - General

Internal Service Funds operate similarly to privately operated non-profit service providers. Over time, income and expense should balance out and the accumulated “retained earnings” should be near zero. One of the basic purposes for internal services funds is to more efficiently allocate scarce resources. If users of these services have to pay for them, they will use those services more prudently. Also, it provides a mechanism to compare the cost and efficiencies of these services with competing private service providers, where available.

Utah Code, Section 63-38-3.5 places the following Legislative controls on the operation of internal Service Funds:

1. All Internal Service Fund budgets must be approved by the Legislature.
2. The number of full time equivalent (FTE) positions must be approved for each Internal Service Fund.
3. No capital acquisitions can be made by an Internal Service Fund without Legislative approval.
4. No capital assets can be transferred to an Internal Service Fund without Legislative approval.
5. Rate structures must be approved by the Legislature.
6. Working capital must be acquired in the following order: First from operating revenues, second from long term debt, and last from appropriation.
7. Borrowing from the General Fund (long term debt) is allowed as long as:
 - a..The debt is repaid over the useful life of the asset,
 - b. Borrowing does not exceed 60 percent of the value of the asset.

3.1 ISF: General Services

General Services collects funds from department divisions for building maintenance and rent for the Department main office and warehouse in Salt Lake City. In FY 2000, the photocopy and supply services will be discontinued.

**3.1.1 General Services
Budget
Recommendation**

The Analyst recommends an appropriation of \$1,472,000 from collection of dedicated credits / intergovernmental revenues for FY 2000. An operating profit of \$28,700 is expected for FY 2000, compared to a net actual income of \$51,106 in FY 1998 and expected profit of \$16,300 in FY 1999. Non-operating income/losses represent the disposition of assets (copying equipment). With these included, the accumulated retained earnings will be about \$96,300 by the end of FY 2000. The Analyst's recommendations include four authorized FTE employees. No capital acquisitions are planned for FY2000.

Operations	FY 1998	FY 1999	FY 2000	FY 00 - 99
Revenues	Actual	Authorized	Analyst	Difference
Sales of Services/Mat'l	\$1,703,130	\$1,810,400	\$1,444,500	(\$365,900)
Misc.	0	45,100	27,500	(17,600)
Total Revenues	\$1,703,130	\$1,855,500	\$1,472,000	(\$383,500)
Cost of Operations				
Personal Services	\$120,501	\$125,000	\$112,800	(\$12,200)
Travel	0	0		0
Current Expense	1,484,717	1,684,800	1,319,400	(365,400)
Curr. Exp - Data Proc.	7,000	1,100	6,900	5,800
Depreciation	29,031	16,900	0	(16,900)
Other	10,775	11,400	4,200	(7,200)
Total Expenditures	\$1,652,024	\$1,839,200	\$1,443,300	(\$395,900)
Operating Income/Loss	\$51,106	\$16,300	\$28,700	\$12,400
Non-operating income/expenses	(\$10,299)	\$0	(\$29,200)	(29,200)
Net Income (Loss)	\$40,807	\$16,300	(\$500)	(\$16,800)
Retained Earnings				
Beginning Balance	\$39,670	\$80,500	\$96,800	\$16,300
Income (Loss)	40,807	16,300	(500)	(16,800)
Ending Balance	\$80,477	\$96,800	\$96,300	(\$500)
Authorized Capital Acquisitions	\$8,425	\$0	\$0	\$0
Authorized FTEs	5.0	5.0	4.0	1.00)

3.1.2 General Services Rates

The charges per square foot of space in both the main building in Salt Lake City and the warehouse will not change from FY 1999 to FY 2000.

	FY 1999	FY 2000	Difference FY 00 - 99
Admin Building Per Square Foot	\$13.44	\$13.44	n/c
Warehouse Per Square Foot	4.75	4.75	n/c
Hall Copiers (Per Copy)	0.028	n/a	*
Copy Centers (Per Copy)	0.023	n/a	*
*Will be discontinued in FY 2000			

3.2 ISF: Field Services

The Field Services Internal Service Fund handled the maintenance and rent expense in the Richfield, Blanding, and Brigham City facilities. These facilities are occupied by other State agencies as well as Human Services. This internal service fund closed its books on June 30, 1998. The Brigham City facility will be operated by its owner, the Boyer Company, and "rent" will be charged directly to the using agencies. The same will happen to the Richfield and the Blanding facilities which are owned by the State Division of Facilities, Construction and Management (DFCM) and the Navajo Trust Fund, respectively.

With the closure of this operation, the Analyst recommends a zero appropriation for FY 2000. Accumulated retained earnings have been distributed to the user divisions. Capital assets, consisting of the building and land in Richfield, have been turned over to DFCM.

3.3 ISF: Data Processing

The Data Processing Internal Service Fund provides programming services to various divisions and agencies in the department. It employs a staff of 40.

3.3.1 Data Processing Budget Recommendation

The Analyst recommends an appropriation of \$2,093,900 from collection of dedicated credits / intergovernmental revenues. The recommendation includes a total staff of 40.0 FTEs. No capital acquisitions are planned for FY 2000.

This ISF has experienced operating losses for several years. In FY 1997 it showed a small operating profit of \$21,215, but it experienced a loss of (\$93,956) in FY 1998, giving it an accumulated negative retained earnings of (\$281,798). Revenue increases expected in the current year and in FY 2000 are dependent on the ability of the ISF to attract qualified IT technicians. Currently, a number of positions are vacant due to difficulty of hiring qualified programmers. The budget figures below for FY 1999 and FY 2000 reflect a staff of 27 FTEs. If additional staff can be found (up to the authorized 40 FTE level), these budget figures would have to be amended.

Operations	FY 1998	FY 1999	FY 2000	FY 00 - 99
Revenues	Actual	Authorized	Analyst	Difference
Sales of Services/Mat'l	\$1,655,384	\$2,085,900	\$2,093,900	\$8,000
Misc.	0	0	0	0
Total Revenues	\$1,655,384	\$2,085,900	\$2,093,000	\$8,000
Cost of Operations				
Personal Services	\$1,521,641	\$1,813,500	\$1,819,900	\$6,400
Travel	9,802	9,000	7,600	(1,400)
Current Expense	52,612	46,100	48,700	(2,600)
Curr. Exp - Data Proc.	135,227	83,200	88,800	5,600
Depreciation	10,705	10,700	0	(10,700)
Other	19,353	15,200	13,000	(2,200)
Total Expenditures	\$1,749,340	\$1,977,700	\$1,978,000	(\$300)
Net Income (Loss)	(\$93,956)	\$108,200	\$115,900	\$7,700
Retained Earnings				
Beginning Balance	(\$187,842)	(\$281,800)	(\$173,600)	\$108,200
Income (Loss)	(93,956)	108,200	115,900	7,700
Ending Balance	(\$281,798)	(\$173,600)	(\$57,700)	\$115,900
Authorized Capital	\$0	\$0	\$0	\$0
Authorized FTEs	40.0	40.0	40.0	0.0

3.3.2 Data Processing Rates

Rates for programming services will remain at \$50 per hour for FY 2000.

	Authorized	Proposed	FY 99 - 98
	FY 1999	FY 2000	Difference
Programmers (per hour)	\$50.00	\$50.00	\$0.00